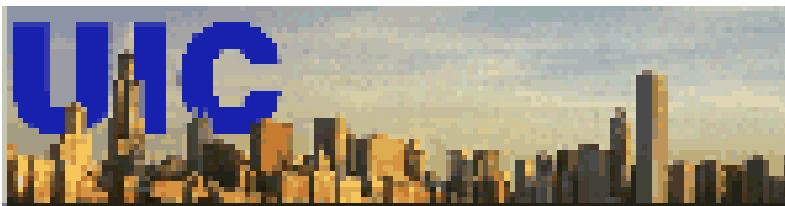


**Comments on the Utility Implementation Plans for the Governor's
Sustainable Energy Plan as presented at the ICC Workshop - April 20, 2005.**

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**Submitted To:
The Illinois Commerce Commission**

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Background: Energy Resources Center, University of Illinois @ Chicago

Founded in 1973, the Energy Resources Center is an interdisciplinary public service, research, and special projects organization dedicated to improving energy efficiency and the environment. Based out of the College of Engineering at the University of Illinois at Chicago (UIC), the Center was established by the Board of Trustees as an approved Illinois Board of Higher Education Research Center.

The Center's mandate is to conduct studies in the fields of energy resources, energy efficiency, and the environment. Additionally, the Center is directed to provide industry, utilities, government agencies and the public with assistance, information, and advice on applied technologies, public policy, and professional development training. To fulfill this mandate, ERC is staffed by hands-on professional engineers, economists, architects, computer science specialists, educators, and public policy analysts. Senior staff have advanced degrees in their fields of expertise and many hold certifications as Professional Engineers, Professional Architects and Certified Energy Managers.

General Comments:

- I. Overall Support for the Initiative:** The Energy Resources Center (ERC) strongly supports the Governor's Sustainable Energy Plan and in particular the Energy Efficiency Portfolio Standard. Energy efficiency investments are proven to be extremely cost effective and beneficial to the environment. The Governor's Plan is a measured approach to provide a needed impetus to increasing such investments. Furthermore, the ERC applauds the Illinois Commerce Commission and their staff for their diligence in moving the discussion and review process forward on an accelerated path. ERC also believes that in order for the process to produce cost effective savings by the January 2007, this accelerated planning pace must continue.
- II. Comprehensive Focus for all Classes of Ratepayers:** The ERC believes that the results of these efforts should lead to a carefully thought out plan of action by the utilities to offer a portfolio of programs designed to assist all classes of utility customers. In addition, the ERC believes that this portfolio of programs must be designed to be flexible to change as evaluations are conducted and analyzed. Superior and most cost effective efforts should be expanded, whereas any program not meeting standards set by the Commission should be modified or abandoned.
- III. Preference for Energy Efficiency Investments:** While the ERC recognizes that load control and load shifting efforts such as HVAC systems curtailment and the like can assist in meeting the targeted goals of reducing projected growth, we would favor more investments in direct energy efficiency improvements for several reasons:

- Energy efficiency can produce more direct, measurable and sustainable results. The energy efficiency investments can also be designed to maximize peak load reduction as they provide utility cost savings to the program participants.
- Direct energy efficiency investments can more readily provide a direct and noticeable benefit to the retail customers who are financing this effort. This in turn may lead to increased market transformation through private energy efficiency efforts and personal purchasing decisions.
- Energy efficiency investments tend to have greater economic multipliers for local economies. Most recent studies indicate an approximate 2.19 multiplier effect for stimulating economic growth through such investments.

- IV. Competition for Program Services:** The ERC strongly supports the competitive procurement of energy services for programs developed under these proceedings. However, we believe that the RFP process must be carefully designed and developed to allow for maximum participation of qualified service providers. We also suggest that the RFP services be divided into customer segments i.e. residential, commercial, institutional, and industrial. It might be advisable to conduct a few pilot projects to gauge potential effectiveness of certain approaches or concepts.
- V. Maximize Economic Benefits to Illinois:** ERC further suggests that programs be developed whenever possible in coordination with State economic development goals. Developing cost effective programs that also benefit the local economy creates an economic stimulus which should be targeted to the Illinois rate payers. As a caveat to this suggestion we believe that whenever feasible, some competitive considerations should be given to Illinois vendors, implementers, and/or energy efficiency service providers.
- VI. Support for Independent Evaluation:** ERC also supports the ideas presented at the workshops concerning program evaluation. Program evaluation and monitoring must be established during the planning process and it is essential that the evaluators be independent from DCEO, the utilities, or other program implementers. The proposed cap of no more than 3% of program costs for these activities as suggested by ComEd seems reasonable.
- VII. Incorporate DCEO as a Program Partner:** ERC supports the Governor's suggestion in providing DCEO a portion of the program's receipts. Involving DCEO's Energy Office may allow for some more diversity and innovation in program planning and development, and give the program more flexibility. However DCEO program efforts must be held to the same accountability and evaluation standards as the utility run programs.
- VIII. Program Funds Should be Leveraged:** The program effort should be designed to encourage leveraging with other available public and private funding. The U. S. Departments of Energy and Agriculture and the U. S. Environmental Protection Agency all have programs and financing designed to encourage energy efficiency investments. In addition, foundations such as the Clean Energy Community Trust, the Energy Foundation and other similar

entities also provide funding for similar efforts. However, almost all these sources require matching funding. ERC recommends that a portion of the receipts to finance the Sustainable Energy Plan effort should be set aside to provide matching funding allowing program partners to maximize the leverage of additional resources. The program also should be designed to encourage private investments to expand the program scope.

- IX. Support for Distributed Generation:** Both utility companies should examine the potential of distributed energy including combined heat and power and recycled energy as components of the Sustainable Energy Plan. This effort can be utilized to prove the cost effectiveness of such investments and allow the companies to work directly with distributed energy vendors to resolve interconnect and other related issues regarding distributed energy projects.
- X. Real Time Pricing and Metering Requirements:** There has been considerable discussion during these workshops and presentations concerning real time pricing and the role such pricing scenarios can play in reducing peak demand. ERC believes such pricing strategies should be carefully investigated and considered by the utilities as this process continues, especially for the residential sector. However, most real time pricing projects will require new meters capable of recording and managing electric use. Since the utilities routinely replace electric meters as needed or install new meters in new homes, we would suggest that the utilities examine the feasibility of installing “real time” pricing meters as an ongoing practice. Perhaps a small percentage of the funds for the Sustainable Energy effort could be utilized to cover the relatively small incremental cost of the real time pricing meters over conventional meter replacements. Installation of these meters would allow the utilities to establish a potential voluntary client base for a pilot effort in this area.
- XI. Small Commercial Customers Buying Groups:** There is a significant and growing need among small commercial and institutional utility customers for information, strategies and expertise to manage their risks associated with the deregulated electric markets. We suggest that the utilities establish programs to develop customer buying groups that will effectively mitigate such risks to participating customers. The “buying groups” would allow smaller users to pool purchases to achieve economies of scale, reduce peak demand, and potentially develop demand side management programs among their members. This effort may best be supported by resources allocated to DCEO under the Sustainable Energy Plan.

Specific Comments on the ComEd Presentation:

- I.** In general ERC commends ComEd and its staff for developing a strong preliminary outline for this effort in the relatively short time frame allotted. ERC agrees with the Company’s assertions that the effort should minimize the impact on customer rates, cover all customer classes, and create an independent program evaluation.

- II. ComEd's preliminary estimate of a cost of \$48 million annually to reach the Governor's goals seems adequate.
- III. ERC supports the company's efforts to examine other state and utility programs as a tool to design the Illinois effort. However, we urge ComEd to examine innovative and unique approaches in Illinois, and to reach out and utilize Illinois partners as they continue program development. Many of the participants in the ICC workshops would be willing and able partners in the program design effort.
- IV. ERC would encourage ComEd to identify additional Illinois energy efficiency efforts and funding sources to maximize any potential leverage and program coordination.
- V. The Company should be encouraged to consider cost effective programs that would provide the maximum economic development and job creation within their service territory. For example, during the past several years over 120,000 manufacturing jobs have been lost within the ComEd service territory. Strategic energy efficiency investments will assist Illinois companies to remain competitive while preserving and creating Illinois jobs.
- VI. Real time pricing options especially for the residential sector should be considered at least on a pilot basis. (See general comment X). We strongly support these innovative ideas, but would caution that real time pricing and other pricing and load control mechanisms must be designed to ensure participating customers are fully aware of the benefits and potential penalties associated with this approach.

Specific Comments on the Ameren Presentation:

- I. ERC also commends Ameren for their support of the Governor's Sustainable Energy Plan and their considerable efforts in the preliminary design of the Program.
- II. As soon as feasible, Ameren should provide the Commission with a preliminary cost estimate for its Plan.
- III. Ameren's presentation with the theme "Pricing is powerful information" seemed to indicate the company's willingness to utilize a real time pricing strategy at least on a pilot basis. We support these innovative ideas, but would caution that real time pricing and other pricing and load control mechanisms must be designed to ensure participating customers are fully aware of the benefits and any potential penalties associated with this approach. In order to be prepared for any such pilot, we urge the company to consider implementing a meter replacement program including real time pricing meters as soon as possible. (See general comment X)
- IV. Ameren also indicated that the Company might wish to pursue programs designed to educate and inform customers rather than providing direct subsidies. This approach may have merit, but an educational market

transformation approach would be much more difficult to measure and evaluate than direct investments in energy efficiency. A combination of education and subsidy programs may be a more effective approach.

- V. Direct investments (working in conjunction with company matching investments) combined with objective auditing and technical assistance will encourage many commercial and small industrial companies to improve their energy use profiles. Currently, many such companies are unwilling to make such investments because of the uncertainty of sustainable energy cost savings and the competition for scarce investment capital in their operations. A well designed direct investment and technical assistance effort would alleviate both those impediments.

Conclusion:

Thank you for this opportunity to comment. The Energy Resources Center at the University of Illinois at Chicago remains a strong supporter of energy efficiency efforts in Illinois and the Midwest. The Center has over thirty years of experience in developing and implementing energy efficiency programs and policies. ERC is willing and committed to work with the Commission and the utilities in designing and implementing a successful Sustainable Energy Plan for Illinois.